

WALTON-VERONA BOARD OF EDUCATION

June 30, 2003

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

WALTON-VERONA BOARD OF EDUCATION
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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Walton-Verona Board of Education

We have audited the accompanying general purpose financial statements of the Walton-Verona Board of Education as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Walton-Verona Board of Education. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements included as an appendix to the state audit contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include fixed assets and the general fixed assets account group which should be included to conform with U.S. generally accepted accounting principles. In addition, these statements do not include state payments made on behalf of the school district, such as the teacher retirement employer match. The amounts that should be recorded as assets and on behalf payments are not readily available.

In our opinion, except for the omissions discussed in the preceding paragraph, the general purpose financial statements present fairly, in all material respects, the financial position of the Board as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2003, on our consideration of the Walton-Verona Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Walton-Verona Board of Education taken as a whole. The supplementary schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The remaining schedules and supporting information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects, in relation to the general purpose financial statements taken as a whole.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
September 4, 2003

**WALTON-VERONA BOARD OF EDUCATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2003**

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Group General Long-Term Debt Group of Accounts</u>	<u>Totals (Memorandum Only)</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Food Service Fund</u>	<u>Activity & Trust Funds</u>		
Assets and Other Debits							
Cash and Cash Equivalents	\$ 2,095,021	\$ -	\$ 310,762	\$ 74,642	\$ 150,701	\$ -	\$ 2,631,126
Accounts Receivable							
Taxes - Current	93,286	-	-	-	-	-	93,286
Intergovernmental - Federal	-	124,066	-	-	-	-	124,066
Amounts to be Provided for Retirement of General Long-Term Debt	-	-	-	-	-	4,229,773	4,229,773
Total Assets and Other Debits	<u>\$ 2,188,307</u>	<u>\$ 124,066</u>	<u>\$ 310,762</u>	<u>\$ 74,642</u>	<u>\$ 150,701</u>	<u>\$ 4,229,773</u>	<u>\$ 7,078,251</u>
Liabilities and Equity and Fund Balances							
Liabilities							
Accounts Payable	\$ 45,032	\$ 84,109	\$ -	\$ 1,345	\$ -	\$ -	\$ 130,486
Accrued Payroll and Related Expenses	-	-	-	-	37,535	-	37,535
Deferred Revenue	-	39,957	-	-	-	-	39,957
Compensated Absences	-	-	-	-	-	209,773	209,773
Loan Payable - KISTA	-	-	-	-	-	365,000	365,000
Lease Obligations	-	-	-	-	-	3,655,000	3,655,000
Total Liabilities	<u>45,032</u>	<u>124,066</u>	<u>-</u>	<u>1,345</u>	<u>37,535</u>	<u>4,229,773</u>	<u>4,437,751</u>
Equity and Fund Balances							
Retained Earnings	-	-	-	73,297	-	-	73,297
Fund Balances							
Unreserved	1,038,388	-	310,762	-	113,166	-	1,462,316
Reserved for Capital Expenditures	1,000,000	-	-	-	-	-	1,000,000
Reserved for Sick Leave	104,887	-	-	-	-	-	104,887
Total Equity and Fund Balances	<u>2,143,275</u>	<u>-</u>	<u>310,762</u>	<u>73,297</u>	<u>113,166</u>	<u>-</u>	<u>2,640,500</u>
Total Liabilities and Equity and Fund Balances	<u>\$ 2,188,307</u>	<u>\$ 124,066</u>	<u>\$ 310,762</u>	<u>\$ 74,642</u>	<u>\$ 150,701</u>	<u>\$ 4,229,773</u>	<u>\$ 7,078,251</u>

See accompanying notes.

**WALTON-VERONA BOARD OF EDUCATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
Year Ended June 30, 2003**

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project Funds	Bond & Interest Redemption Funds	Activity & Trust Funds	
Revenues						
From Local Sources						
Taxes						
Property	\$ 2,538,295	\$ -	\$ 138,939	\$ -	\$ -	\$ 2,677,234
Motor Vehicle	259,090	-	-	-	-	259,090
Utilities	504,891	-	-	-	-	504,891
Other	27,030	-	-	-	-	27,030
Tuition and Fees	43,305	-	-	-	-	43,305
Transportation Fees	32,851	-	-	-	-	32,851
Earnings on Investments	17,919	-	1,950	-	-	19,869
Student Activities	-	-	-	-	486,171	486,171
Other Local Revenue	78,149	-	-	-	-	78,149
Intergovernmental - State	3,402,013	276,355	225,288	79,147	-	3,982,803
Intergovernmental - Indirect Federal	-	428,915	-	-	-	428,915
Total Revenues	6,903,543	705,270	366,177	79,147	486,171	8,540,308
Expenditures						
Current						
Instruction	3,469,662	688,999	-	-	-	4,158,661
Support Services						
Student	294,009	-	-	-	-	294,009
Instructional Staff	150,926	-	-	-	-	150,926
District Administration	687,252	16,369	-	-	-	703,621
School Administration	335,423	1,715	-	-	-	337,138
Plant Operation & Maintenance	542,156	-	-	-	-	542,156
Student Transportation	531,016	41,335	-	-	-	572,351
Facilities Acquisition and Construction	-	-	633,002	-	-	633,002
Student Activities	-	-	-	-	474,015	474,015
Debt Service						
Principal Payments - Bonds	-	-	-	1,186,284	-	1,186,284
Interest Payments - Bonds	-	-	-	156,357	-	156,357
Principal Payments - KISTA Loan	-	-	-	35,000	-	35,000
Interest Payments - KISTA Loan	-	-	-	13,855	-	13,855
Total Expenditures	6,010,444	748,418	633,002	1,391,496	474,015	9,257,375
Excess (Deficit) of Revenues Over Expenditures	893,099	(43,148)	(266,825)	(1,312,349)	12,156	(717,067)
Other Financing Sources (Uses)						
Proceeds from Sale of Bonds	-	-	1,076,140	-	-	1,076,140
Bond Issuance Costs	-	-	(26,140)	-	-	(26,140)
Operating Transfers In	-	43,148	-	-	-	43,148
Operating Transfers Out	(43,148)	-	-	-	-	(43,148)
Transfers To Debt Service	-	-	(1,312,349)	1,312,349	-	-
Total Other Financing Sources (Uses)	(43,148)	43,148	(262,349)	1,312,349	-	1,050,000
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	849,951	-	(529,174)	-	12,156	332,933
Fund Balance July 1, 2002	1,293,324	-	839,936	-	101,010	2,234,270
Fund Balance June 30, 2003	\$ 2,143,275	\$ -	\$ 310,762	\$ -	\$ 113,166	\$ 2,567,203

See accompanying notes.

**WALTON-VERONA BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE**

	Year Ended June 30, 2003 Proprietary Fund Type <hr/> Food Service Fund <hr/>
Operating Revenues	
Lunchroom Sales	\$ 229,675 <hr/>
Operating Expenses	
Salaries and Wages	187,104
Materials and Supplies	129,005
Other Operating Expenses	34,516 <hr/>
Total Operating Expenses	350,625 <hr/>
Operating Loss	(120,950) <hr/>
Non-Operating Revenues	
Federal Grants	96,401
State Grants	5,378
Interest Income	1,167 <hr/>
Total Non-Operating Revenues	102,946 <hr/>
Net Loss	(18,004)
Retained Earnings July 1, 2002	91,301 <hr/>
Retained Earnings June 30, 2003	\$ 73,297 <hr/> <hr/>

See accompanying notes.

**WALTON-VERONA BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE**

	Year Ended June 30, 2003 Proprietary Fund Type
	Food Service Fund
Cash Flows from Operating Activities	
Operating Loss	\$ (120,950)
Change in Accounts Payable	1,345
	<hr/>
Net Cash Used by Operating Activities	(119,605)
	<hr/>
Cash Flows from Noncapital Financing Activities	
Federal Grants	96,401
State Grants	5,378
	<hr/>
Net Cash Provided by Noncapital Financing Activities	101,779
	<hr/>
Cash Flows from Investing Activities	
Interest Income	1,167
	<hr/>
Net Change in Cash	(16,659)
	<hr/>
Cash and Cash Equivalents July 1, 2002	91,301
	<hr/>
Cash and Cash Equivalents June 30, 2003	\$ <u><u>74,642</u></u>

See accompanying notes.

**WALTON-VERONA BOARD OF EDUCATION
COMPARISON OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE TO BUDGET
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 2003**

	General Fund			Special Revenue Funds			SEEK Capital Outlay Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
From Local Sources									
Taxes									
Property	\$ 2,195,562	\$ 2,538,295	\$ 342,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Motor Vehicle	227,000	259,090	32,090	-	-	-	-	-	-
Utilities	430,000	504,891	74,891	-	-	-	-	-	-
Other	27,030	27,030	-	-	-	-	-	-	-
Tuition and Fees	42,000	43,305	1,305	-	-	-	-	-	-
Transportation Fees	26,268	32,851	6,583	-	-	-	-	-	-
Earnings on Investments	25,000	17,919	(7,081)	-	-	-	-	-	-
Community Service Activities	-	-	-	-	-	-	-	-	-
Other Local Revenue	113,450	78,149	(35,301)	-	-	-	-	-	-
Intergovernmental - State	3,233,099	3,402,013	168,914	330,631	276,355	(54,276)	96,050	97,780	1,730
Intergovernmental - Indirect Federal	-	-	-	508,765	428,915	(79,850)	-	-	-
Total Revenues	6,319,409	6,903,543	584,134	839,396	705,270	(134,126)	96,050	97,780	1,730
Expenditures									
Current									
Instruction	3,396,075	3,469,662	(73,587)	706,343	688,999	17,344	-	-	-
Support Services									
Student	299,493	294,009	5,484	200	-	200	-	-	-
Instructional Staff	150,985	150,926	59	-	-	-	-	-	-
District Administration	1,568,365	687,252	881,113	8,325	16,369	(8,044)	-	-	-
School Administration	339,963	335,423	4,540	1,985	1,715	270	-	-	-
Plant Operation & Maintenance	754,674	542,156	212,518	-	-	-	-	-	-
Student Transportation	610,130	531,016	79,114	42,536	41,335	1,201	-	-	-
Facilities Acquisition and Construction	-	-	-	-	-	-	90,324	32,709	57,615
Total Expenditures	7,119,685	6,010,444	1,109,241	759,389	748,418	10,971	90,324	32,709	57,615
Excess (Deficit) of Revenues Over Expenditures	(800,276)	893,099	1,693,375	80,007	(43,148)	(123,155)	5,726	65,071	59,345
Other Financing Sources (Uses)									
Proceeds from Sale of Bonds	-	-	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	43,148	43,148	-	-	-
Operating Transfers Out	-	(43,148)	(43,148)	(80,007)	-	(80,007)	-	-	-
Transfers to Debt Service	-	-	-	-	-	-	(5,726)	-	5,726
Total Other Financing Sources (Uses)	-	(43,148)	(43,148)	(80,007)	43,148	123,155	(5,726)	-	5,726
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(800,276)	849,951	1,650,227	-	-	-	-	65,071	65,071
Fund Balance July 1, 2002	1,293,324	1,293,324	-	-	-	-	-	-	-
Fund Balance June 30, 2003	\$ 493,048	\$ 2,143,275	\$ 1,650,227	\$ -	\$ -	\$ -	\$ -	\$ 65,071	\$ 65,071

See accompanying notes.

**WALTON-VERONA BOARD OF EDUCATION
COMPARISON OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE TO BUDGET
ALL GOVERNMENTAL FUND TYPES (Continued)
Year Ended June 30, 2003**

	<u>Building (FSPK Fund)</u>			<u>Construction Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
From Local Sources						
Taxes						
Property	\$ 138,939	\$ 138,939	\$ -	\$ -	\$ -	\$ -
Motor Vehicle	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Other	-	-	-	-	-	-
Tuition and Fees	-	-	-	-	-	-
Transportation Fees	-	-	-	-	-	-
Earnings on Investments	-	-	-	17,881	1,950	(15,931)
Community Service Activities	-	-	-	-	-	-
Other Local Revenue	-	-	-	-	-	-
Intergovernmental - State	122,129	127,508	5,379	-	-	-
Intergovernmental - Indirect Federal	-	-	-	-	-	-
Total Revenues	<u>261,068</u>	<u>266,447</u>	<u>5,379</u>	<u>17,881</u>	<u>1,950</u>	<u>(15,931)</u>
Expenditures						
Current						
Instruction	-	-	-	-	-	-
Support Services						
Student	-	-	-	-	-	-
Instructional Staff	-	-	-	-	-	-
District Administration	-	-	-	-	-	-
School Administration	-	-	-	-	-	-
Plant Operation & Maintenance	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Facilities Acquisition and Construction	19,080	-	19,080	45,306	600,293	(554,987)
Total Expenditures	<u>19,080</u>	<u>-</u>	<u>19,080</u>	<u>45,306</u>	<u>600,293</u>	<u>(554,987)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>241,988</u>	<u>266,447</u>	<u>24,459</u>	<u>(27,425)</u>	<u>(598,343)</u>	<u>(570,918)</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Bonds	-	-	-	-	1,076,140	1,076,140
Bond Issuance Costs	-	-	-	-	(26,140)	(26,140)
Operating Transfers In	-	-	-	200,000	-	(200,000)
Operating Transfers Out	-	-	-	-	(1,050,000)	(1,050,000)
Transfers to Debt Service	(261,068)	(262,349)	(1,281)	-	-	-
Total Other Financing Sources (Uses)	<u>(261,068)</u>	<u>(262,349)</u>	<u>(1,281)</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(19,080)</u>	<u>4,098</u>	<u>23,178</u>	<u>172,575</u>	<u>(598,343)</u>	<u>(770,918)</u>
Fund Balance July 1, 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>839,936</u>	<u>839,936</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ (19,080)</u>	<u>\$ 4,098</u>	<u>\$ 23,178</u>	<u>\$ 1,012,511</u>	<u>\$ 241,593</u>	<u>\$ (770,918)</u>

See accompanying notes.

**WALTON-VERONA BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – REPORTING ENTITY

The Walton-Verona Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Walton-Verona Independent School District. The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Walton-Verona Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Walton-Verona School District Finance Corporation

The Walton-Verona Board of Education resolved to authorize the establishment of the Walton-Verona School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board members of the Walton-Verona Board of Education also comprise the Corporation's Board of Directors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements:

Basis of Accounting

The records of the Board are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings.

Adjustments have been made to properly present statements of the governmental fund types on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred, except that capital expenditures are recorded as expenses rather than as fixed assets which would be depreciated over their estimated useful lives. This fund applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventories

Supplies and materials are charged to expenditures when purchased.

Deferred Revenue

Deferred revenue represents grant funds that have been received but not spent at year end.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriation lapses at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences due to encumbrances exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Total Columns**

Total columns on the financial statements are indicated as "Memorandum Only," as data in these columns do not present financial positions, results of operations, or changes in fund balance in conformity with U.S. generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – DESCRIPTION OF FUNDS**Fund Accounting**

The Board maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description for each class of funds, along with the associated restrictions, follows:

Governmental Fund Types**General Fund**

The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered to be resources available for use.

Special Revenue Funds

The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. They include federal financial programs as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Capital Project Funds**(1) SEEK Capital Outlay Fund**

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the Board's facility plan (including facility acquisition and payment of bonded lease obligations).

(2) Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding. Funds may be used for projects identified in the Board's facility plan (including facility acquisition and payment of bonded lease obligations).

NOTE 3 – DESCRIPTION OF FUNDS (Continued)**(3) Construction Fund**

The Construction Fund includes Capital Project Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodelings and to pay for the related expenditures.

Bond and Interest Redemption Funds (Debt Service Funds)

The Bond and Interest Redemption Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type (Enterprise Fund)**Food Service Fund**

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contributions of commodities from the USDA.

Fiduciary Fund Types**Trust and Revolving Funds**

The Trust and Revolving Funds account for funds held by the Board in a fiduciary capacity.

School Activity Funds

The School Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the "Uniform Program of Accounting for School Activity Funds."

Account Group

To make a clear distinction between long-term liabilities related to specific funds and those of a general nature, the following account group is used:

General Long-Term Debt Group of Accounts

This group of accounts is established to account for all long term obligations of the Board, including bonded debt and lease obligations, except those accounted for in the Proprietary Fund and Trust Funds, and compensated absences.

The general fixed assets are recorded as expenditures of the fund from which the disbursement is made. The Board does not maintain a record of the cost of its property and equipment. Therefore, no group of accounts is maintained.

NOTE 4 – PROPERTY TAXES

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes attached as an enforceable lien on property as of January 1, 2002. Taxes were levied on August 30, 2002 and were due and payable beginning October 1, 2002.

NOTE 5 – CASH AND CASH EQUIVALENTS

At June 30, 2003, the carrying amount of the Board's cash and cash equivalents was \$2,631,126 and the bank balance was \$2,672,177. Of the total cash balance, \$100,000 was covered by Federal depository insurance, with an additional \$2,572,177 covered by collateral held by the pledging bank's trust department in the Board's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Total cash and cash equivalents (including restricted cash) at June 30, 2003 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Firstar Bank - Checking Accounts	\$2,281,434	\$2,340,792
Firstar Bank - Super Now Accounts	213,575	113,166
Firstar Bank - Escrow	<u>177,168</u>	<u>177,168</u>
	<u>\$2,672,177</u>	<u>\$2,631,126</u>

NOTE 6 – GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the City of Walton, Kentucky and the Walton-Verona School District Finance Corporation aggregating \$3,655,000.

The following is a summary of the Board's long-term debt transactions for the year ended June 30, 2003.

	<u>Debt Outstanding July 1, 2002</u>	<u>Additions of New Debt</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2003</u>
General Obligation Bonds	\$ <u>3,770,000</u>	\$ <u>1,130,000</u>	\$ <u>1,245,000</u>	\$ <u>3,655,000</u>

NOTE 6 – GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (Continued)

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Date of Issue</u>	<u>Bond Amount</u>	<u>Rates</u>
July 20, 1993	\$1,544,971 (Board's Portion Only of \$1,645,000 Total)	3.00% - 5.50%
September 1, 1996	\$125,000 (Board's Portion Only of \$175,000 Total)	4.80% - 5.65%
December 1, 1997	\$425,183 (Board's Portion Only of \$630,000 Total)	4.20% - 5.00%
December 1, 1999	\$67,703 (Board's Portion Only of \$505,000 Total)	4.00% - 5.10%
January 1, 2002	\$890,000 (Board's Portion Only of \$890,000 Total)	4.25% - 5.25%
January 1, 2002	\$183,348 (Board's Portion Only of \$435,000 Total)	3.50% - 4.50%
December 1, 2002	\$1,072,179 (Board's Portion Only of \$1,130,000 Total)	1.50% - 3.90%

The Board, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the City of Walton to construct school facilities. The Board has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The Board has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the Board, including amounts to be paid by the Commission, at June 30, 2003 for debt service, (principal and interest) are as follows:

NOTE 6 – GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (Continued)

	<u>Board's Portion</u>		<u>KSFCC Portion</u>		<u>Principal Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2003-2004	\$ 150,235	\$ 167,242	\$ 61,765	\$ 44,099	\$ 212,000
2004-2005	158,874	161,659	63,126	40,889	222,000
2005-2006	165,174	99,139	61,826	37,565	227,000
2006-2007	170,605	94,157	63,395	34,118	234,000
2007-2008	155,712	88,584	88,288	31,351	244,000
2008-2009	168,851	75,515	81,149	35,716	250,000
2009-2010	187,854	73,922	58,146	27,312	246,000
2010-2011	195,932	71,167	60,068	19,889	256,000
2011-2012	199,753	62,359	46,247	19,403	246,000
2012-2013	211,065	51,381	44,935	20,570	256,000
2013-2014	112,124	37,919	33,876	23,646	146,000
2014-2015	106,878	42,007	45,122	11,313	152,000
2015-2016	114,287	36,879	48,713	8,765	163,000
2016-2017	117,226	31,146	51,774	6,280	169,000
2017-2018	118,770	26,708	46,230	3,672	165,000
2018-2019	101,785	21,386	33,215	1,694	135,000
2019-2020	105,000	16,395	-	-	105,000
2020-2021	110,000	11,250	-	-	110,000
2021-2022	<u>117,000</u>	<u>5,750</u>	<u>-</u>	<u>-</u>	<u>117,000</u>
	<u>\$2,767,125</u>	<u>\$1,174,565</u>	<u>\$ 887,875</u>	<u>\$366,282</u>	<u>\$ 3,655,000</u>

Kentucky Interlocal School Transportation Association (KISTA) Lease

In October, 1996 the Board entered into an operating lease agreement with KISTA for the lease of two school buses.

The minimum future rental payments as of June 30, 2003 are as follows:

Year Ending	
<u>June 30.</u>	
2004	\$ 16,264
2005	16,264
2006	16,263
2007	<u>13,868</u>
Total	<u>\$ 62,659</u>

NOTE 6 – GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (Continued)

Kentucky Interlocal School Transportation Association (KISTA) Loan

In November, 2002 the Board entered into a loan agreement with KISTA to be used for the purchase of land. Interest payments, at rates varying between 2.60% and 4.25%, are due semiannually. Principal payments are to be made in December of each year. The future principal payment schedule is as follows:

Year Ending <u>June 30,</u>	
2004	\$ 35,000
2005	35,000
2006	35,000
2007	40,000
2008	40,000
Thereafter	<u>180,000</u>
Total	\$ <u>365,000</u>

NOTE 7 – RETIREMENT PLANS

The Board's total payroll for the year was \$5,046,600. The payroll for employees covered under the following plans totaled \$4,840,817.

Kentucky Teachers' Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by and operating under Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school board. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Participating employees contribute 9.855% of creditable compensation. Matching contributions are made by the state. These on behalf payments are not reflected in the Board's financial records. The matching contributions are paid by the federal program for any salaries paid by that program. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems. The Board contributed 9.855% of the employees' compensation paid by federal programs for the fiscal year ended June 30, 2003.

The Board's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$365,716 (composed of \$2,192 from the Board and \$363,524 from the employees), \$330,310 and \$333,218, respectively; 100 percent has been contributed for fiscal years 2003, 2002 and 2001.

NOTE 7 – RETIREMENT PLANS (Continued)**County Employees' Retirement System**

Employees who work an average of 100 hours per month participate in the County Employees' Retirement System of Kentucky (CERS), which is a cost sharing, multiple-employer public employees retirement system created by and operating under Kentucky Law.

CERS covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

Participating employees contribute 5% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board Trustees of Kentucky Retirement Systems each biennium. The Board contributed 6.34% of the employees' compensation during the fiscal year ended June 30, 2003.

The Board's required contributions for pension obligations to CERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$136,689 (composed of \$74,881 from the Board and \$61,808 from the employees), \$125,851 and \$123,862, respectively; 100 percent has been contributed for fiscal years 2003, 2002, and 2001.

NOTE 8 – CONTINGENCIES

The Board receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 9 – COMPENSATED ABSENCES

Upon retirement from the school system, a certified employee will receive from the Board an amount equal to 30% of the value of accumulated sick leave. At June 30, 2003, this amount totaled \$209,773 for those certified employees with 27 or more years of experience, which is accounted for in the general long-term debt group of accounts.

NOTE 10 – INSURANCE AND RELATED ACTIVITIES

The Board is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The Board has purchased certain policies which are retrospectively rated which includes workers' compensation insurance.

NOTE 11 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the Board participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The Board pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The Board purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the Board continues to carry commercial insurance for all other risks of loss, including the coverage listed in the supplemental schedule as listed in the table of contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Maintain Positive Fund Balance	\$ <u>43,148</u>

SUPPLEMENTAL INFORMATION

**WALTON-VERONA BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
Year Ended June 30, 2003**

	Federal				State					Total Special Revenue Funds
	Title I	IDEA B	IDEA Preschool	Other	Extended School Services	KERA Preschool	Textbooks	Professional Development	Other	
Revenues										
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -	\$ 26,521	\$ 130,157	\$ 37,838	\$ 22,092	\$ 59,747	\$ 276,355
Intergovernmental - Indirect Federal	171,484	158,495	24,008	74,928	-	-	-	-	-	428,915
Total Revenues	<u>171,484</u>	<u>158,495</u>	<u>24,008</u>	<u>74,928</u>	<u>26,521</u>	<u>130,157</u>	<u>37,838</u>	<u>22,092</u>	<u>59,747</u>	<u>705,270</u>
Expenditures										
Current										
Instruction	171,484	158,237	-	74,928	22,507	130,157	37,838	14,189	79,659	688,999
Support Services										
District Administration	-	258	-	-	-	-	-	7,903	8,208	16,369
School Administration	-	-	-	-	1,715	-	-	-	-	1,715
Student Transportation	-	-	24,008	-	2,299	-	-	-	15,028	41,335
Total Expenditures	<u>171,484</u>	<u>158,495</u>	<u>24,008</u>	<u>74,928</u>	<u>26,521</u>	<u>130,157</u>	<u>37,838</u>	<u>22,092</u>	<u>102,895</u>	<u>748,418</u>
Deficit of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,148)</u>	<u>(43,148)</u>
Other Financing Sources										
Operating transfers in	-	-	-	-	-	-	-	-	43,148	43,148
Operating transfers out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,148</u>	<u>43,148</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance July 1, 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WALTON-VERONA BOARD OF EDUCATION
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
June 30, 2003

	SEEK Capital Outlay Fund	Building (FSPK) Fund	Construction Fund	Total Capital Project Funds
Assets and Other Debits				
Cash and Cash Equivalents	\$ <u>65,071</u>	\$ <u>4,098</u>	\$ <u>241,593</u>	\$ <u>310,762</u>
Fund Balances				
Unreserved	\$ <u>65,071</u>	\$ <u>4,098</u>	\$ <u>241,593</u>	\$ <u>310,762</u>

WALTON-VERONA BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
CAPITAL PROJECT FUNDS
Year Ended June 30, 2003

	SEEK Capital Outlay Fund	Building (FSPK) Fund	Construction Fund	Total Capital Project Funds
Revenues				
From Local Sources				
Taxes				
Property	\$ -	\$ 138,939	\$ -	\$ 138,939
Earnings on Investments	-	-	1,950	1,950
Other Local Revenue	-	-	-	-
Intergovernmental - State	97,780	127,508	-	225,288
	<u>97,780</u>	<u>127,508</u>	<u>-</u>	<u>225,288</u>
 Total Revenues	 <u>97,780</u>	 <u>266,447</u>	 <u>1,950</u>	 <u>366,177</u>
 Expenditures				
Facilities Acquisition and Construction	32,709	-	600,293	633,002
	<u>32,709</u>	<u>-</u>	<u>600,293</u>	<u>633,002</u>
 Excess (Deficit) of Revenues Over Expenditures	 65,071	 266,447	 (598,343)	 (266,825)
 Other Financing Sources (Uses)				
Proceeds from Sale of Bonds	-	-	1,076,140	1,076,140
Bond Issuance Costs	-	-	(26,140)	(26,140)
Transfers to Debt Service	-	(262,349)	(1,050,000)	(1,312,349)
	<u>-</u>	<u>(262,349)</u>	<u>(1,050,000)</u>	<u>(1,312,349)</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>(262,349)</u>	 <u>-</u>	 <u>(262,349)</u>
 Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	 65,071	 4,098	 (598,343)	 (529,174)
 Fund Balance July 1, 2002	 <u>-</u>	 <u>-</u>	 <u>839,936</u>	 <u>839,936</u>
 Fund Balance June 30, 2003	 <u>\$ 65,071</u>	 <u>\$ 4,098</u>	 <u>\$ 241,593</u>	 <u>\$ 310,762</u>

**WALTON-VERONA BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BOND AND INTEREST REDEMPTION FUNDS
Year Ended June 30, 2003**

	<u>1993 Issue</u>	<u>1996 Issue</u>	<u>1997 Issue</u>	<u>1999 Issue</u>	<u>2002A Issue</u>	<u>2002B Issue</u>	<u>2002C Issue</u>	<u>KISTA Loan</u>	<u>Bond & Interest Redemption Funds</u>
Revenues									
Intergovernmental - State	\$ 8,095	\$ 2,182	\$ 18,469	\$ 7,584	\$ 20,000	\$ 21,440	\$ 1,377	\$ -	\$ 79,147
Expenditures									
Debt Service									
Principal Payments	1,125,376	5,000	11,935	4,520	15,000	20,000	4,453	35,000	1,221,284
Interest Payments	66,004	5,538	15,396	3,064	44,539	6,071	15,745	13,855	170,212
Total Expenditures	<u>1,191,380</u>	<u>10,538</u>	<u>27,331</u>	<u>7,584</u>	<u>59,539</u>	<u>26,071</u>	<u>20,198</u>	<u>48,855</u>	<u>1,391,496</u>
Deficit of Revenues Over Expenditures	(1,183,285)	(8,356)	(8,862)	-	(39,539)	(4,631)	(18,821)	(48,855)	(1,312,349)
Other Financing Sources									
Operating Transfers In	<u>1,183,285</u>	<u>8,356</u>	<u>8,862</u>	<u>-</u>	<u>39,539</u>	<u>4,631</u>	<u>18,821</u>	<u>48,855</u>	<u>1,312,349</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-	-	-	-	-	-
Fund Balance July 1, 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WALTON-VERONA BOARD OF EDUCATION
COMBINING BALANCE SHEET
ACTIVITY AND TRUST FUNDS
June 30, 2003**

	High School Activity Fund	Elementary School Activity Fund	Trust and Revolving Funds	Total Activity and Trust Funds
Assets and Other Debits				
Cash and Cash Equivalents	\$ 88,488	\$ 24,678	\$ 37,535	\$ 150,701
Liabilities and Fund Balances				
Liabilities				
Accrued Payroll and Related Expenses	\$ -	\$ -	\$ 37,535	\$ 37,535
Fund Balance				
Unreserved	88,488	24,678	-	113,166
Total Liabilities and Fund Balance	\$ 88,488	\$ 24,678	\$ 37,535	\$ 150,701

**WALTON-VERONA BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ACTIVITY AND TRUST FUNDS
Year Ended June 30, 2003**

	High School Activity Fund	Elementary School Activity Fund	Trust & Revolving Funds	Total Activity and Trust Funds
Revenues				
From Local Sources				
Student Activities	\$ 411,955	\$ 74,216	\$ -	\$ 486,171
Expenditures				
Student Activities	403,881	70,134	-	474,015
Excess of Revenues Over Expenditures	8,074	4,082	-	12,156
Fund Balance July 1, 2002	80,414	20,596	-	101,010
Fund Balance June 30, 2003	\$ 88,488	\$ 24,678	\$ -	\$ 113,166

WALTON-VERONA BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WALTON-VERONA HIGH SCHOOL ACTIVITY FUND
Year Ended June 30, 2003

Fund Accounts	Cash Balances July 1, 2002	Receipts	Disbursements	Cash Balances June 30, 2003	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2003
Agriculture	\$ 437	\$ 3,892	\$ 2,549	\$ 1,780	\$ -	\$ -	\$ 1,780
Business Fund	493	852	996	349	-	-	349
English	142	735	652	225	-	-	225
Health	517	200	248	469	-	-	469
Family Conscience	4	3,119	3,092	31	-	-	31
Math	2	1,020	958	64	-	-	64
Physical Education	576	6,691	7,267	-	-	-	-
Wellness Center	285	1,266	927	624	-	-	624
Science Fund	233	1,495	1,323	405	-	-	405
Social Studies	416	300	346	370	-	-	370
Spanish	42	2,349	2,286	105	-	-	105
Special Education	185	610	558	237	-	-	237
Band	2,313	4,341	6,458	196	-	-	196
Band Boosters	177	6,905	7,061	21	-	-	21
Choral Music	53	739	665	127	-	-	127
General Music	50	250	241	59	-	-	59
Graphic Comm	500	172	332	340	-	-	340
Trip Band	757	2,373	2,751	379	-	-	379
Athletics	643	33,683	33,271	1,055	-	-	1,055
Athletic Boosters	-	22,454	19,190	3,264	-	-	3,264
Girls Soccer	-	2,232	2,082	150	-	-	150
Baseball	2,886	19,039	18,367	3,558	-	-	3,558
Track	186	1,184	1,347	23	-	-	23
Softball	-	3,048	2,590	458	-	-	458
Cross Country	939	6,709	6,903	745	-	-	745
Cheerleaders	1,276	7,202	6,597	1,881	-	-	1,881
Junior High Cheerleaders	3	2,196	2,130	69	-	-	69
Girls Basketball	4,792	34,117	28,040	10,869	-	-	10,869
Junior High Girls Basketball	-	1,934	1,260	674	-	-	674
FCA	355	14	70	299	-	-	299
Basketball	2,497	24,682	22,841	4,338	-	-	4,338
Art Club	484	311	388	407	-	-	407
Art Fund	745	3,430	3,574	601	-	-	601
Beta Club	83	1,578	1,588	73	-	-	73
FBLA	854	3,669	3,852	671	-	-	671
FFA	969	10,597	10,868	698	-	-	698
FCCLA	-	11,644	10,774	870	-	-	870
TSA	1,179	2,918	3,880	217	-	-	217
Industrial Tech	561	1,665	1,209	1,017	-	-	1,017
Junior Beta	959	981	841	1,099	-	-	1,099
School Climate Fund	1,251	8,995	8,119	2,127	-	-	2,127
Y Club	177	6,819	6,583	413	-	-	413
Drama	599	1,416	1,153	862	-	-	862
Theater	212	4,017	4,229	-	-	-	-
Freshman Class	-	1,216	624	592	-	-	592
Sophomore Class	766	2,423	1,571	1,618	-	-	1,618
Junior Class	1,855	3,747	5,052	550	-	-	550
Project Prom	1,601	4,837	5,864	574	-	-	574
Senior Class 01-02	663	11,956	12,592	27	-	-	27

(Continued)

WALTON-VERONA BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WALTON-VERONA HIGH SCHOOL ACTIVITY FUND (Continued)
Year Ended June 30, 2002

Fund Accounts	Cash Balances July 1, 2002	Receipts	Disbursements	Cash Balances June 30, 2003	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2003
Middle School	\$ 6,120	\$ -	\$ 6,120	\$ -	\$ -	\$ -	\$ -
Junior High	81	9	34	56	-	-	56
Annual	9,766	12,564	16,696	5,634	-	-	5,634
Concession Fund	6,403	36,322	30,322	12,403	-	-	12,403
Garrett Peterson	-	3,306	2,100	1,206	-	-	1,206
General Fund	4,972	32,141	21,296	15,817	-	-	15,817
John Frilling	-	2,740	-	2,740	-	-	2,740
Guidance Fund	100	770	366	504	-	-	504
Library Fines	695	2,770	3,093	372	-	-	372
N.K.O.A.	420	250	432	238	-	-	238
Parking Permit	818	505	1,200	123	-	-	123
Quest Program	2,800	840	3,640	-	-	-	-
WVEA	5	237	242	-	-	-	-
Technology Club	-	427	-	427	-	-	427
STLP	708	42	40	710	-	-	710
Landscape	250	4,079	3,822	507	-	-	507
Textbooks	249	23,167	23,022	394	-	-	394
Workbooks	4	2,221	1,588	637	-	-	637
Club Scholarship	-	700	650	50	-	-	50
Citibank	12,300	10,570	22,870	-	-	-	-
Library Printing	172	56	-	228	-	-	228
DJJ Funds	754	-	50	704	-	-	704
Spanish Club	80	217	139	158	-	-	158
Total	\$ 80,414	\$ 411,955	\$ 403,881	\$ 88,488	\$ -	\$ -	\$ 88,488

WALTON-VERONA BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
WALTON-VERONA ELEMENTARY SCHOOL ACTIVITY FUND
Year Ended June 30, 2003

Fund Accounts	Cash Balances July 1, 2002	Receipts	Disbursements	Cash Balances June 30, 2003	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2003
General Fund	\$ 10,245	\$ 50,349	\$ 46,853	\$ 13,741	\$ -	\$ -	\$ 13,741
Grants	-	600	-	600	-	-	600
Student Incentives	-	419	-	419	-	-	419
Concessions	896	-	-	896	-	-	896
School Climate	2,098	3,985	2,436	3,647	-	-	3,647
Carroll	1	50	51	-	-	-	-
Conatser	47	50	-	97	-	-	97
Christy	-	37	-	37	-	-	37
Dingus	67	50	-	117	-	-	117
Dykes	8	50	-	58	-	-	58
Fish	74	50	12	112	-	-	112
Hackman	-	36	12	24	-	-	24
Hartman	-	50	20	30	-	-	30
Hiatt	-	112	109	3	-	-	3
Hicks	25	50	75	-	-	-	-
Kemper	399	341	85	655	-	-	655
Kunz	-	50	43	7	-	-	7
McIntyre	6	50	49	7	-	-	7
McNeil	78	92	24	146	-	-	146
Meyer	-	50	21	29	-	-	29
Pozderac	74	50	15	109	-	-	109
Preisler	34	50	55	29	-	-	29
Recker	-	37	-	37	-	-	37
Rodgers, K.	11	50	61	-	-	-	-
Rogers, C.	51	50	-	101	-	-	101
Rowekamp	29	50	-	79	-	-	79
Ryan	-	50	-	50	-	-	50
Ryder	185	50	103	132	-	-	132
Sisson	3	50	-	53	-	-	53
Smith	175	50	140	85	-	-	85
Smith	88	50	138	-	-	-	-
Turner	-	50	-	50	-	-	50
Tuemler	24	50	54	20	-	-	20
Vest	170	50	-	220	-	-	220
Wilson	10	50	59	1	-	-	1
NKOA	226	600	660	166	-	-	166
Accelerated Reader	1,811	1,389	3,019	181	-	-	181
Bookstore	61	1,064	736	389	-	-	389
Academics	7	-	7	-	-	-	-
Library	1,306	3,399	4,563	142	-	-	142
Intramurals	33	7,790	7,758	65	-	-	65
Y Club	494	1,543	1,602	435	-	-	435
EAF	1,616	685	596	1,705	-	-	1,705
Music	244	538	778	4	-	-	4
Total	\$ 20,596	\$ 74,216	\$ 70,134	\$ 24,678	\$ -	\$ -	\$ 24,678

**WALTON-VERONA BOARD OF EDUCATION
SCHEDULE OF ACCOUNTS RECEIVABLE**

	June 30, 2003
General Fund	
Accounts Receivable as Reported in The Board's Annual Financial Report	\$ 68,264
Accounts Receivable Received Subsequent to the Annual Financial Report	
Motor Vehicle Taxes	<u>25,022</u>
	\$ <u><u>93,286</u></u>
Special Revenue Funds	
Accounts Receivable as Reported in the Board's Annual Financial Report	\$ 158,704
Reversal of Misposting to Accounts Receivable	<u>(34,638)</u>
	\$ <u><u>124,066</u></u>

**WALTON-VERONA BOARD OF EDUCATION
SCHEDULE OF ACCOUNTS PAYABLE**

	June 30, 2003
General Fund	
Accounts Payable as Reported in The Board's Annual Financial Report	\$ <u>45,032</u>
Special Revenue Funds	
Accounts Payable as Reported in The Board's Annual Financial Report	\$ 93
Cash Overdraft	<u>84,016</u>
	\$ <u>84,109</u>
Food Service Fund	
Accounts Payable as Reported in The Board's Annual Financial Report	\$ <u>1,345</u>

WALTON-VERONA BOARD OF EDUCATION
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
June 30, 2003

Name	Address	Term Expires
Bill Wethington Chairman	13724 Walton-Verona Road Verona, Kentucky	December 31, 2004
John Daugherty	5 North Main Street Walton, Kentucky	December 31, 2006
Shirley Cummins	1330 Eades Road Verona, Kentucky	December 31, 2006
Kelly Fulmer	13 Park Avenue Walton, Kentucky	December 31, 2004
Walt Ryan	15329 Lebanon-Crittenden Road Verona, Kentucky	December 31, 2006

Other Officers of the Board:

Robert Storer	- Superintendent and Secretary to the Board of Education
William Boyle	- Deputy Superintendent
Gene Kirchner	- Assistant Superintendent
Claudia Coleman	- Treasurer

**WALTON-VERONA BOARD OF EDUCATION
INSURANCE IN FORCE
June 30, 2003**

Fire and Extended Coverage 90 % Coinsurance:	Amount Of Policy	Insurance Payable To	Expires	
Real and Personal Property Building and Contents: Walton-Verona High School Walton-Verona Elementary Agriculture Building Physical Education Building Administration Greenhouse	\$17,167,825	City of Walton, Kentucky and Walton-Verona Board of Education	6/30/2004	
Other Coverage				
School Bus and Auto Fleet Policy	\$1,000,000 - Underinsured Motorist \$1,000,000 - Uninsured Motorist \$2,000,000 - Combined Single Limit		8/31/2004	
Educators' Legal Liability - Board Members, Superintendent, and All School Employees	\$6,000,000 - Occurrence \$6,000,000 - Aggregate		6/30/2004	
Comprehensive General Liability	\$6,000,000 - Occurrence \$7,000,000 - Aggregate \$5,000,000 Umbrella for KISBIT General Liability, Educators' Legal Liability and Fleet		6/30/2004	
Workmen's' Compensation	Statutory		8/31/2004	
Fidelity Bonds				
Company	Person Covered	Covered	Type	Amount
Old Republic	Kelly Whalen Mary Jo Mitchell	03/01/2003 to 03/01/2004	Bond	\$5,000
Insurance Company of North America	Claudia Coleman Treasurer	06/30/2003 to 06/30/2004	Bond	\$893,144

U.S. Bank of Walton, Kentucky has pledged \$3,585,819 of bonds and securities as bond for the depository of public funds of the Walton-Verona Board of Education.

WALTON-VERONA BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2003

Federal Grants/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantors Number	Disbursement
U.S. Department of Agriculture			
Passed through State Department of Agriculture			
Food Distribution - Value of Commodities ^	10.550	N/A	\$ 20,490
Passed through State Department of Education			
National School Lunch	10.555	575-01-02	80,392
National School Breakfast	10.553	576-02-05	<u>16,009</u>
Total U.S. Department of Agriculture			\$ <u>116,891</u>
U.S. Department of Education			
Passed through State Department of Education			
Title I	84.010	0351-03-01	\$ 171,484
Title I - Capital Expenditures	84.010	0326-00-01	(640)
Education of the Handicapped, Part B - Title VI	84.027	0581-03-02	158,495
Drug Free Schools and Communities - Title IV	84.186	0590-03-02	7,431
Preschool Early Childhood	84.173	0587-03-02	24,008
Education for Economic Security Act - Title II	84.281	0530-01-03	(116)
Technology Prep	84.243	5463-01-60	4,354
Title VI	84.298	0533-01-02	4,415
Class Size Reduction	84.340	0534-02-01	1,458
Teacher Quality Title IIA	84.336	4013-03-02	<u>58,026</u>
Total U.S. Department of Education			\$ <u>428,915</u>
Grand Totals			\$ <u>545,806</u>

^ Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**WALTON-VERONA BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Walton-Verona Board of Education and is presented on the basis of accounting described in the notes to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
Walton-Verona Board of Education

We have audited the financial statements of the Walton-Verona Board of Education as of and for the year ended June 30, 2003, and have issued our report thereon dated September 4, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements included as an appendix to the state audit contract.

Compliance

As part of obtaining reasonable assurance about whether the Walton-Verona Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II (9)(a)-(w) of the state audit contract that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Walton-Verona Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to management in a separate letter dated September 4, 2003.

Kentucky State Committee for School District Audits
Walton-Verona Board of Education
Page Two

This report is intended solely for the information of management, the Kentucky Department of Education, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
September 4, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
Walton-Verona Board of Education

Compliance

We have audited the compliance of the Walton-Verona Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Walton-Verona Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; and the audit requirements included as an appendix to the state audit contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Walton-Verona Board of Education's compliance with those requirements.

In our opinion, the Walton-Verona Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the Walton-Verona Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Walton-Verona Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, the Kentucky Department of Education, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
September 4, 2003

**WALTON-VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements	
Type of Financial Statement Opinion	Qualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	None Reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Federal Awards	
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable conditions identified, not considered to be material weaknesses reported for major programs?	None Reported
Type of Major Programs Compliance Opinion	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	IDEA Part B and IDEA Preschool [CFDA 84.027 and 84.173] National School Breakfast and Lunch [CFDA 10.553 and 10.555]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: > all others
Low Risk Auditee?	No

**WALTON-VERONA BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003**

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to be reported.

**WALTON-VERONA BOARD OF EDUCATION
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003**

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

No matters to be reported.

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MANAGEMENT LETTER POINTS



Kentucky State Committee for School District Audits
Walton-Verona Board of Education

In planning and performing our audit of the financial statements of the Walton-Verona Board of Education for the year ended June 30, 2003, we considered the Board's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the Board's internal controls in our report dated September 4, 2003. This letter does not affect our report dated September 4, 2003, on the financial statements of the Walton-Verona Board of Education.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Board personnel, and we will be pleased to discuss them in further detail at your convenience and to perform any additional study of these matters or to assist you in implementing the recommendations.

We want to express our appreciation to Dr. Storer, the Board, the staff and the school secretaries for their courteous assistance during the audit.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
September 4, 2003

**WALTON-VERONA BOARD OF EDUCATION
MANAGEMENT LETTER POINTS**

General

ITEM 01 – SPECIAL REVENUE FUND

Many entries were made during the audit to adjust the accounts in the special revenue fund to actual. These accounts should be reviewed prior to year end with the appropriate personnel in Frankfort. At that time, it should be determined if funds from grants awarded in prior years are still able to be received.

Management's Response

Balancing the special revenue accounts will be accomplished prior to finalizing the annual financial report each year. Local staff will receive training facilitated by the Kentucky Department Education in order to accomplish this task.